

Message Text

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PAGE 01 STATE 125076

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FM SECSTATE WASHDC

TO AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L STATE 125076

FOLLOWING REPEAT STATE 125076 SENT ACTION NATO DATED
12 JUNE 1974:

QTE

C O N F I D E N T I A L STATE 125076

E.O.11652;XGDS 2

TAGS: ECON, CH, NATO

SUBJECT: ECONADS: JUNE 13 MEETING OF ECONOMY OF THE PRC

REFS: USNATO 2887, 3247

1. FOLLOWING ARE OUR COMMENTS ON GERMAN DOCUMENT
(AC/127-D/482): WE AGREE WITH GENERAL JUDGMENTS ON
PRC ECONOMIC POLICIES AND TRENDS. CURRENT TIGHTNESS IN
PRC TRANSPORT SUPPORTS THEME OF NEED FOR STEPPED-UP
INVESTMENT IN THIS SECTOR. HOWEVER, AGRICULTURE SUPPORT
INDUSTRIES, MINING, AND POWER PROBABLY ARE ACCORDED HIGHER
PRIORITY, WITH TRANSPORT IN STRONG SECONDARY POSITION.
GIVEN LARGE POPULATION AND SMALL PER CAPITA GNP, WE
GUESSTIMATE CONSUMPTION GETS 70 PER CENT, INVESTMENT 20
PER CENT, AND MILITARY 10 PER CENT. SECOND HALF OF 1973
MAY NOT HAVE BEEN ALL THAT BAD FOR CONSUMER. LATEST DATA
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PAGE 02 STATE 125076

SUGGEST \$9.3 BILLION TRADE TURNOVER FOR 1973 WITH MORE THAN HALF OF ADVANCE DUE TO INFLATION AND CURRENCY REVALUATIONS. WE CALCULATE GRAIN IMPORTS 7.5 MMT IN 1973 WITH 9 MMT POSSIBLE FOR 1974.

2. FOLLOWING ARE OUR COMMENTS ON UK DOCUMENT (AC/127-D/480) WE AGREE WITH THEME OF MODERATE ECONOMIC ADVANCE. SUGGEST SUMMARY EMPHASIZE THAT NEW PLANTS WILL BOOST AGRICULTURE AS WELL AS INDUSTRY BY 1980. OUR INFORMATION SUGGESTS 20 PER CENT DROP IN DEFENSE PRODUCTION IN 1972-73 WITH AIRCRAFT SHARPLY OFF. LATEST DATA SUGGEST A 60 PER CENT INCREASE IN TRADE TO \$9.3 BILLION FOR 1973 WITH MORE THAN HALF OF ADVANCE DUE TO INFLATION AND CURRENCY REVALUATIONS. CHINA'S TRADE DEFICIT WITH NON-COMMUNIST COUNTRIES APPROACHED \$500 MILLION, EXCEEDING BY A CONSIDERABLE MARGIN ITS INVISIBLE EARNINGS. AS A RESULT, SHORT-TERM CREDITS PROVIDED FINANCING FOR THE BULK OF TRADE DEFICIT. IN DISCUSSION OF PAPER MIGHT BE USEFUL TO ASSESS IMPACT OF CHOU ILLNESS ON ECONOMIC SCENE.

3. REGRET NO ONE FROM WASHINGTON WILL BE ABLE TO ATTEND MEETING. ALTHOUGH WASHINGTON OFFICIALS INTERESTED IN SUBJECT, PRESS OF OTHER BUSINESS AND SHORTAGE TRAVEL FUNDS PRECLUDED ATTENDANCE. WOULD APPRECIATE FULL REPORT OF DISCUSSIONS. SISCO UNQTE KISSINGER

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